



The Commonwealth of Massachusetts

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

BAY STATE GAS COMPANY D.T.E. 05-27

TWELFTH SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO THE COMPANY

Pursuant to 220 C.M.R. § 1.06(6)(c), the Department of Telecommunications and Energy (“Department”) submits to Bay State Gas Company (“Bay State” or “Company”) the following set of Information Requests for response within ten days of issuance:

- DTE 12-1 Refer to Exh. BSG/JAF-2, Sch. JAF-2-8, at 2. Please explain the rationale for the ABRAM to be effective June 1, 2005 and not at the beginning of the rate year.
- DTE 12-2 Refer to Exh. BSG/JAF-2, Sch. JAF-2-8, at 6. Please indicate the units of measurement for the second term of the PBR Price Cap Adjustment Formula. i.e., whether “dollars” or “percentage”? If “dollars”, please explain how a dollar amount can be added to a percentage to come out with a percentage PBR_CAP.
- DTE 12-3 Refer to Exh. BSG/JAF-2. Please provide on disk in Excel format all data and supported formula used in developing § 11.0 of Sch. JAF-2-8 and the Sch. JAF-2-9 and Sch. JAF-2-10.
- DTE 12-4 Refer to Exh. BSG/JAF-2, at 24. Please explain how the adjustment for energy efficiency savings in the annual base rate adjustment mechanism (“ABRAM”) “is consistent with the Department’s precedent regarding Lost Base Revenues (“LBR”) associated with demand-side management programs...”
- DTE 12-5 Refer to Exh. BSG/JAF-2, at 30. Please explain what the Company means by “LBR recovery is allowed if the impact on throughput and revenues is both substantial and quantifiable.” Specifically, explain the meaning of the word “substantial” as used here.

- DTE 12-6 Refer to Exh. BSG/JAF-2, at 30. Please explain why “[f]ailure to adjust for energy efficiency savings in conjunction with an indexed based PBR mechanism would perpetuate under-earning by the Company” if, as the Company has stated, the Department has allowed Bay State “to collect LBR via a separate factor that is a component of the LDAC.”
- D.T.E.5-7 Refer to Exh. BSG/JAF-2, at 30, 33 and Sch. JAF-2-8, at 10. Please:
- (a) explain how integrating the LBR recovery with the PBR rate adjustment will facilitate the Department’s review of the Company’s LBR filings in view of the time that is required to review such filings;
 - (b) explain how the LBR recovery mechanism as proposed here conforms to the Rolling Period Method “RPM” approved by the Department. Specifically, illustrate, with examples, how the thermos savings, the LBR, and any carrying costs will be calculated under the Company’s proposal.
- DTE 12-8 Refer to Exh. BSG/JAF-2, at 26, 28 and Sch. BSG/JAF-2-9. How different is the gas industry price input inflation factor used in the illustrative rate calculation of the ABRAM shown in Sch. BSG/JAF-2-9 different from the GDP-PI price inflation index in the Company’s price-cap formula?
- DTE 12-9 Refer to Exh. BSG/JAF-2, at 33. When will the last rate adjustment under the Company’s PBR plan take effect?
- DTE 12-10 Refer to Exh. BSG/JAF-2, Sch. JAF-2-8, at 6. How different is the input price trend used here from the GDP-PI in the price cap formula?
- DTE 12-11 Refer to Exhs. BSG/LRK-1, at 3 and BSG/JAF-2, Sch. JAF-2-8, at 6. Please:
- (a) explain how the PBR price cap adjustment formula in Exh. BSG/JAF-2-8, at 6 differs from the PBR price cap adjustment formula in Exh. BSG/LRK-1, at 3. Specifically, establish a one-to-one correspondence between the components of the two formulae, and indicate any differences in the definition and measurement of the various components;
 - (b) explain why ESM_{REV} (*i.e.*, the earnings to be shared with customers under the earnings sharing mechanism (“ESM”) specified in § 7.7) is not multiplied by 75% (*i.e.*, 0.75) which is the shareholder’s share of any earnings under the ESM?;
 - (c) explain the reason for including $(BASE_REV_{T-1} - SIR_REV_{T-1})$ in the denominator of the PBR price cap adjustment formula in Exh. BSG/JAF-2-8, at 6.
- DTE 12-12 Refer to Exh. BSG/JAF-2, Sch. JAF-2-8, at 6. Please explain how the PBR price cap adjustment formula in Exh. BSG/JAF-2-8, at 6 differs from the

following price cap adjustment formula approved for Boston Gas Company in D.P.U. 96-50, at 261 (see also, D.T.E. 03-40, at 438, n. 188).

$P_{(t)} \leq P_{(t-1)} * (1 + I_{(t)} - X \pm Z_{(t)})$ where $P_{(t)}$ is the Company's weighted average price in year (t); $I_{(t)}$ is a price inflation index for year (t); X is a productivity offset that would remain constant throughout the term of the PBR plan; and $Z_{(t)}$ is an adjustment for exogenous costs that might occur in year (t). Specifically, establish a one-to-one correspondence between the components of the two formulae, and indicate any differences in the definition and measurement of the various components.

- DTE 12-13 Refer to Exh. BSG/JAF-2, Sch. JAF-2-8, at 9. Please explain what the Company means by the statement: “[t]he maximum percentage change to any individual Base Rate Element pursuant to the PBR mechanism shall be the sum of the PBR Price Cap Adjustment and the X factor.” How different is “the PBR Price Cap Adjustment” from the “X factor” as both are used here? Illustrate in algebraic terms if appropriate.
- DTE 12-14 Refer to Exh. BSG/JAF-2, Sch. JAF-2-8, at 11. Please:
- (a) indicate the units of measurement for each of the components of the energy efficiency adjustment factor formula;
 - (b) explain whether it is theoretically possible for the denominator ($BD^{n,e} - EE^{n,e}$) to take a value equal to zero;
 - (c) explain the reason for subtracting one (1) from the right-hand-side of the energy efficiency adjustment factor formula;
 - (d) explain how carrying costs associated with LBR recovery are reflected in the energy efficiency adjustment factor formula.

DATED: May 27, 2005